

PUBLIC

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of Wisconsin Electric Power
Company and Wisconsin Gas, LLC, both d/b/a
We Energies, for Authority to Adjust Electric,
Natural Gas, and Steam Rates

Docket No. 05-UR-105

**DIRECT TESTIMONY OF MICHAEL J. VICKERMAN
ON BEHALF OF RENEW WISCONSIN**

Public Service Commission of Wisconsin
RECEIVED: 08/22/11, 11:45:56 AM

1 **Q. Please state your name, occupation, and address.**

2 A. My name is Michael J. Vickerman. I am Executive Director of RENEW Wisconsin
3 ("RENEW"), an organization whose directors and members support expanding the use of
4 locally available renewable energy resources to meet the state's energy needs. RENEW
5 is located at 222 S. Hamilton St., Madison, WI 53703.

6
7 **Q. Please describe your professional qualifications.**

8 A. Under my direction RENEW has advocated, and mobilized political support for, several
9 pro-renewable policies adopted in the last 10 years, including the adoption in 2009 of
10 uniform permitting standards for wind projects (2009 Wisconsin Act 40) as well as the
11 establishment in 1999 of Wisconsin's Renewable Portfolio Standard and a public benefits
12 fund dedicated in part to renewable energy sources. I have been involved with many
13 issues relating to renewable electricity, ranging from broad policy initiatives and
14 customer-driven green pricing programs to such technical issues as renewable energy
15 credit trading and windpower permitting ordinances.

16

1 I was RENEW's representative on the statewide Task Force on Energy Efficiency and
2 Renewables, convened in September 2003, and served as co-chair of the Renewables
3 Workgroup. In that capacity I developed and negotiated several renewable energy policy
4 recommendations for consideration by the full Task Force. These were: (1) a successor
5 Renewable Portfolio Standard (RPS) that would result in a 10% renewable energy
6 content by 2015 and (2) a State of Wisconsin commitment to source 20% of the
7 electricity it uses for state facilities from renewable energy sources. Both
8 recommendations were included in a consensus package of proposed policy changes that
9 were subsequently incorporated into a bill that passed the Legislature and was signed into
10 law in March 2006 (2005 Wisconsin Act 141).

11
12 RENEW also spearheaded the Wind for Wisconsin coalition, whose campaign to
13 establish uniform siting standards for wind energy systems resulted in the passage of
14 2009 Wisconsin Act 40. I am a member of the Wind Siting Council, a stakeholder body
15 convened by the Public Service Commission of Wisconsin ("Commission") to provide
16 input and advice in shaping a statewide wind siting rule as required under 2009 Act 40.

17
18 I have written and defended testimony in several Commission proceedings in recent
19 years, including Wisconsin Electric Power Company's ("We Energies") applications to
20 build its Blue Sky Green Field wind energy installation (Docket No. 6630-CE-294), its
21 Glacier Hills wind energy installation (Docket No. 6630-CE-302), and its Rothschild
22 biomass generation installation (Docket No. 6630-CE-305); Northern States Power-
23 Wisconsin's application to convert its Bay Front 5 generator into a dedicated biomass

1 unit (Docket No. 4220-CE-169); Wisconsin Power & Light's application to build the
2 Nelson Dewey 3 coal-fired power station (Docket No. 6680-CE-170) and its Cedar Ridge
3 wind energy installation (Docket No. 6680-CE-171); Forward Wind Energy's application
4 to build a 200 MW wind energy installation (Docket No. 9300-CE-100); Wisconsin
5 Public Service Corporation's 2005, 2006, 2008, and 2010 rate cases (Docket Nos. 6690-
6 UR-117, 6690-UR-118, 6690-UR-119, and 6690-UR-120); Wisconsin Power & Light's
7 2005, 2006 and 2008 rate cases (Docket Nos. 6680-UR-114, 6680-UR-115 and 6680-UR-
8 116); We Energies' 2005 and 2007 rate cases (Docket Nos. 05-UR-102 and 05-UR-103);
9 and Madison Gas & Electric's 2010 rate case (Docket No. 3270-UR-117).

10
11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to discuss the May 2011 decision by We Energies to
13 cancel a 10-year, \$60 million commitment to support renewable energy development in
its service territory. *****BEGIN CONFIDENTIAL*****

16 *****END CONFIDENTIAL***** (Exhibit __ (MJV-1)). My
17 testimony includes a recommendation to the Commission that it not allow We Energies to
18 reallocate in 2012 the \$6 million per year it had committed to spend on renewable energy
development activities for other purposes. *****BEGIN CONFIDENTIAL*****

22 *****END**
23 **CONFIDENTIAL*****

1
2 **Q. What is RENEW's interest in this proceeding?**

3 A. **[***BEGIN CONFIDENTIAL***]**

4 **[***END CONFIDENTIAL***]** RENEW is also a founding
5 member of the We Energies Renewable Energy Collaborative ("WEREC"), the
6 stakeholder body that has helped We Energies to achieve its voluntary renewable energy
7 goal (5% by 2011) and maximize the value of its 10-year commitment to build, largely
8 from scratch, a strong renewable energy infrastructure within its service territory. The
9 collaborative, consisting of Midwest Renewable Energy Association, Citizens Utility
10 Board, American Wind Energy Association, Wisconsin Energy Conservation
11 Corporation, Customers First Coalition, and the 16th Street Community Health Center,
12 has been working since 2002 to shape and guide We Energies' renewable energy
13 program. I think I can speak for all of the nonprofits in the collaborative when I say that
14 our combined efforts and resources produced the strongest and most innovative utility-
15 run renewable energy program in the state. Until We Energies announced its decision to
16 terminate it, the program it had developed was widely regarded as one of the most
17 successful utility-administered renewable energy initiatives in the nation.

18
19 **Q. What was the basis of We Energies' \$6 million per year commitment to renewable**
20 **energy?**

21 A. I will quote from Jeff Anthony, who, as a We Energies manager in 2005, submitted
22 testimony in the utility's 2005 rate case (Docket No. 05-UR-102) providing details

1 regarding We Energies' request to recover \$6 million per year in costs associated with
2 planned renewable energy development activities:

3 In its first "Power the Future" filing in early 2002, [We Energies] made
4 several commitments to renewable energy. Among those commitments
5 was that, subject to regulatory approval and cost recovery, the Company
6 would spend an additional \$6 million per year to achieve a target of 5
7 percent of Wisconsin retail load served by the year 2011. With reference
8 to this commitment, the PSCW in its November 10, 2003, Order in the
9 "Power the Future" docket, stated: "As part of the PTF proposal, WEPCO
10 has committed to a goal of obtaining 5 percent of its energy from
11 renewable resources by 2011. This is more than twice the renewable
12 portfolio standard set forth under Wis. Stats. § 196.378, which requires
13 that at least 2.2 percent of each electric provider's retail energy must be
14 from renewable energy resources by this date. WEC has also declared its
15 intent to spend up to \$6 million per year for ten years on emerging
16 technologies and activities, to encourage the development of renewable
17 resources.¹

18
19 **Q. We Energies launched its Renewable Energy Development program in 2002. Why**
20 **did the utility wait until 2006 to begin spending \$6 million per year on the program?**

¹ Supplemental Direct Testimony of Jeffrey E. Anthony at 2-3, Docket No. 05-UR-102 (Aug. 12, 2005) (PSC REF# 39326).

1 A. As a condition of its WICOR merger, the Commission imposed a five-year rate freeze on
2 We Energies that expired on January 1, 2006.²

3
4 **Q. Did We Energies receive approval on its request to recover \$6 million for renewable**
5 **energy development costs?**

6 A. Yes, it did.³ It also received approval from the Commission in 2007 to spend \$6 million
7 per year on its renewable energy development program in 2008 and 2009, and it also
8 received approval in 2009 to spend \$6 million per year on its renewable energy
9 development program in 2010 and 2011. All told, We Energies has sought and received
10 permission to spend up to \$36 million on the renewable energy program it has developed
11 in consultation with WEREC.

12
13 **Q. Did We Energies produce a “Renewable Energy Development” program plan for**
14 **the PSC’s review?**

15 A. Yes. In 2006, We Energies created a fully fleshed-out program plan and presented it to
16 the PSC that September, building on the summary table it had submitted in the previous
17 rate case.⁴ The program plan contained a diverse portfolio of renewable energy projects
18 and initiatives. We Energies also committed to hiring an outside firm to perform an
19 independent assessment of all of the elements and initiatives set forth in the Renewable
20 Energy Development program plan.

21

² *Id.* at 3.

³ See Final Decision at 3, 18, Docket No. 05-UR-102 (Jan. 26, 2006) (PSC REF# 48654).

⁴ See Exhibit JEA-1, Docket No. 05-UR-102 (Aug. 12, 2005) (PSC REF# 39312).

1 **Q. What elements of We Energies' Renewable Energy Development program do you**
2 **consider to be particularly successful?**

3 A. Several of We Energies' customer incentives and tariffs were unique in the way they
4 complemented Focus on Energy's renewable energy program. For example, We
5 Energies was the first utility to: (1) offer a solar energy-specific buyback rate; (2)
6 increase the net energy billing capacity ceiling for small wind systems generators to 100
7 kW; and (3) support renewable energy-specific conferences and events such as Solar
8 Decade held in Milwaukee. Perhaps the most innovative element in We Energies'
9 program, however, was its special incentive for nonprofit customers seeking to install
10 renewable energy systems. Every three months, We Energies would solicit proposals
11 from schools, religious institutions, local governments, nature centers and other nonprofit
12 entities to co-fund new renewable energy systems on their premises. This We Energies
13 incentive supplemented Focus on Energy grants and cash-back awards. It was designed
14 to overcome the inability of these nonprofit entities to capture federal renewable energy
15 tax credits to offset their own system acquisition costs. As a result of this unique
16 incentive, there are more renewable energy systems serving nonprofit customers in We
17 Energies territory than in any other utility territory. This initiative has an educational
18 component to it as well; We Energies posts real-time production data from these systems
19 on its web site. (Exhibit __ (MJV-2)).

20
21 We Energies was also the first Wisconsin utility to field a large solar initiative which
22 supported a total of one megawatt of photovoltaic generating capacity on seven customer
23 rooftops. All told, We Energies' support of solar energy, including solar hot water

1 systems, helped foster the convergence of a solar industry cluster in southeast Wisconsin
2 consisting of such companies as Helios USA, Johnson Controls, Caleffi Solar, Hot Water
3 Products, and Sunvest.

4
5 **Q. In what other ways did We Energies' program benefit ratepayers?**

6 A. We Energies has a number of renewable energy systems 10 kW and above that are
7 interconnected to its distribution system. (Exhibit __ (MJV-3)). Depending on the
8 specific tariff through which We Energies acquires the generation, many of these
9 installations, including most if not all of the biogas generation facilities in its service
10 territory, are a source of Renewable Energy Credits, that, beginning in 2012, can be
11 banked to help the utility meet its 2015 target under Wisconsin's Renewable Energy
12 Standard. That supply cushion could become very valuable to We Energies if an
13 extended interruption occurs with a major supply source of renewable electricity. Also,
14 the preponderance of solar PV systems in We Energies territory was a contributing factor
15 enabling We Energies to weather July's heat waves without setting a new record for
16 system-wide peak demand.

17
18 **Q. Did RENEW have any advance knowledge of We Energies' unilateral decision to**
19 **prematurely terminate its Renewable Energy Program?**

20 A. At WEREC's May 11, 2011 meeting, We Energies representatives disclosed to the
21 collaborative the company's internal decision to unilaterally and prematurely terminate
22 the program. There had been no discussion of such an outcome between We Energies
23 and any of the other collaborative members prior to the meeting. We Energies'

1 representatives assured us that the decision was final and irrevocable. Indeed, by the time
2 We Energies got around to dropping this particular bombshell on WEREC participants,
3 program termination was already a fait accompli. One day later, an announcement on the
4 termination appeared on We Energies' web site.

5
6 **Q. Has We Energies provided any information to the Commission explaining its**
7 **unilateral decision to prematurely terminate its program?**

8 A. No, it has not. We Energies has yet to offer an explanation for its decision in this
9 proceeding. In fact, We Energies is not explicitly asking for permission to discontinue
10 funding for this initiative at this time. Instead, the program's suspension is merely
11 assumed within its proposed suspension of certain regulatory amortizations for 2012.
12 This suspension for the test year would appear to set the stage for termination of the
13 program pursuant to Wis. Admin. Code ch. PSC 137.

14
15 **Q. Why should the Commission reject We Energies' decision to prematurely and**
16 **unilaterally terminate its Renewable Energy Development program?**

17 A. There are several persuasive reasons for not sanctioning We Energies' decision to
18 unilaterally and prematurely terminate its Renewable Energy Development program.
19 One, this proceeding, to date, is devoid of any justification by We Energies for this abrupt
20 change of course. Two, the Commission has in three previous rate cases approved the \$6
21 million per year earmarked for supporting renewable energy development activities.
22 Nothing has happened between the most recent approval of funds for this initiative and
23 today that warrant a lesser amount of funding for this initiative, let alone its outright

termination. *****BEGIN CONFIDENTIAL*****

*****END CONFIDENTIAL***** In other words,

there is a trust issue here that should not be summarily dismissed.

Five, the Commission staff audit in this proceeding revealed excess revenue for the test year of more than \$85.8 million under the proposal submitted by WEPCO compared with adjustments proposed by Commission staff.⁵ “In other words, these proposed adjustments indicate that applicants are proposing to defer \$85.8 million more than is necessary to achieve no change in base rates.”⁶ Accordingly, there is no valid basis for We Energies to contend that it must terminate or suspend its renewable energy program with a relatively small annual budget of \$6 million. We Energies could cover program costs 14 times over with its revenue surplus. Six, this initiative is an important source of renewable energy development and innovation throughout We Energies’ service territory,

⁵ Commission Memorandum at 13 (July 19, 2011) (PSC REF# 150971).

⁶ *Id.*

1 providing support for customer-sited renewable energy installations, conferences,
2 workshops, research and development activities, demonstration projects, and advanced
3 renewable buyback rates. Although the accomplishments of this program over the past
4 five years are a good start, there is still much to be achieved. Termination of this
5 program would be a severe blow to area contractors, businesses, and manufacturers that
6 invested in new production capacity and expanded their workforce in direct response to
7 the favorable climate for renewable energy that We Energies had created in its service
8 territory. Allowing We Energies to abruptly terminate its renewable energy initiative
9 without cause would send a strong signal to these businesses and other prospective
10 market actors that they should focus their renewable energy development work in out-of-
11 state markets, where policy commitments are durable enough to survive the whims of
12 utility managers.

13
14 **Q. Does this complete your direct testimony?**

15 **A.** Yes it does.